

## Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 IO-13 AF-10 ARA-10 EA-10 EUR-12  
NEA-11 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00  
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00  
PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00  
SP-02 SOE-02 OMB-01 DOE-15 NSCE-00 SSO-00 ICAE-00  
INRE-00 STRE-00 XMB-02 /153 W  
-----096777 071517Z /40

O R 071445Z JUN 78 ZFF 4

FM AMEMBASSY LONDON

TO SECSTATE WASHDC NIACT IMMEDIATE 6894

INFO ALL EC CAPITALS

AMEMBASSY ALGIERS

AMEMBASSY BERN

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CAIRO

AMEMBASSY CANBERRA

AMEMBASSY HELSINKI

AMEMBASSY ISLAMABAD

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY PRETORIA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USMISSION GENEVA

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PASS ELECTRONICALLY USDA FOR ASST SEC HATHAWAY AND STR  
FOR AMB WOLFE

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USEEC ALSO FOR EMBASSY

USMTN

E.O. 11652: N/A

TAGS: EAGR, ETRD, OCON

SUBJECT: GRAIN NEGOTIATIONS: INTERIM COMMITTEE

1. SUMMARY. FIRST TWO DAYS OF MEETING FOCUSED ON NOTIONAL PRICE CONCEPT, THE INDICATOR SCALE AND ASSOCIATED ACTIONS, AND THE ROLE OF COARSE GRAINS. SEVERAL COUNTRIES SOUGHT CLARIFICATION OF NOTIONAL PRICE CONCEPT IN ORDER TO MAKE APPROVAL MORE SALEABLE AT HOME. ON COARSE GRAINS, THE EC PROPOSAL FOR AN ARRANGEMENT WITH SIMILAR PROVISIONS TO THOSE BEING CONSIDERED FOR WHEAT WAS NOT SUPPORTED BY OTHER DELEGATIONS IN FAVOR OF A CONSULTATIVE ARRANGEMENT.

2. NOTIONAL PRICES. SUBSTANTIVE DISCUSSIONS OPENED WITH THE NOTIONAL PRICE CONCEPT. U.S. EXPLAINED NOTIONAL PRICES AS GUIDES FOR DETERMINING SUCCESS OF AGREEMENT. IF LARGE VOLUMES OF WHEAT ARE TRADED OUTSIDE THE NOTIONAL PRICES, THE EFFECTIVENESS OF THE AGREEMENT WOULD BE BROUGHT INTO QUESTION. MECHANISMS IN THE AGREEMENT WOULD BE DESIGNED TO PROVIDE CREDIBLE ASSURANCES THAT PRICES WOULD REMAIN WITHIN RANGE BETWEEN THE LOWER AND HIGHER NOTIONAL PRICES. NOTIONAL PRICES WOULD NOT BE EXPRESSED IN TERMS OF AN INDIVIDUAL WHEAT IN A PARTICULAR POSITION. EC (PIZUTTI) CONCURRED WITH U.S. EXPLANATION NOTING THAT QUOTE THERE IS NO DIVERGENCE OF VIEWS UNQUOTE, THOUGH HE GAVE HEAVIER EMPHASIS TO GOAL OF ASSURING THAT PRICES WOULD NOT GO BEYOND NOTIONAL PRICES.

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3. OTHER DELEGATIONS (JAPAN, ARGENTINA, USSR) REMAINED CONFUSED AS TO THE EXACT NATURE OF THE CONCEPT. JAPAN (UKAWA) INDICATED THAT THE CONCEPT IS SO VAGUE THAT IT WILL BE DIFFICULT TO SELL TO PARLIAMENTS AND SUGGESTED THAT, IN ADDITION TO CLARIFYING IT, TERM OTHER THAN "NOTIONAL" SHOULD BE USED. FOR JAPAN THE NOTIONAL PRICE LEVEL WOULD HAVE TO RELATE TO TRADING PRICES, I.E. EXPRESSED AS F.O.B. PRICE, IN ORDER TO BE MEANINGFUL. CANADA AND AUSTRALIA SUPPORTED THE CONCEPT. CANADA ARGUED THAT A FULL UNDERSTANDING MUST BE ACHIEVED AND OFFERED FOUR ALTERNATIVES FOR DEFINING NOTIONAL PRICES:

- A. ON THE INDICATOR SCALE;
- B. AS A SPECIFIC WHEAT;
- C. AS A SINGLE PRICE OR NUMBER; OR
- D. IN VERY BROAD TERMS, I.E., LEVELS TO PROVIDE

PRODUCERS A REASONABLE RETURN AND CONSUMERS ADEQUATE SUPPLY ASSURANCES. ALTERNATIVE C WAS FELT BY CANADA TO BE TOO BROAD TO HAVE ANY MEANING. IN SUBSEQUENT DISCUSSIONS AMONG EXPORTERS (REPORTED SEPTEL), CANADA OPTED FOR ALTERNATIVE D, ARGUING THAT A LOW NOTIONAL PRICE NEAR THE U.S. LOAN RATE WOULD BE TOO LOW TO SELL POLITICALLY BACK HOME. U.S. AGREED WITH EC PRIVATELY NOT TO

PRESS IMMEDIATELY FOR CLEARER DEFINITION OF THE CONCEPT.  
WE EXPECT TO PRESS FOR DRAFT TEXT ON NOTIONAL PRICES  
LATER IN FIRST WEEK OR EARLY IN SECOND.

4. INDICATOR SCALE AND RELATED ACTIONS. EC OPENED DIS-  
CUSSION BY OUTLINING THE IMPORTANCE OF TAKING CREDIBLE  
MEASURES TO HOLD PRICES WITHIN NOTIONAL PRICE RANGE. IN  
THIS REGARD, THE KEY ROLE OF RESERVES WAS EMPHASIZED BY  
STATEMENT THAT QUOTE A SUBSTANTIAL STOCKING POLICY IS  
THE ONLY WAY TO CREDIBLY HOLD PRICES WITHIN THE RANGE  
UNQUOTE. CANADA (MINER) SUPPORTED THE EC INTERVENTION

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PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00  
SP-02 SOE-02 OMB-01 DOE-15 NSCE-00 SSO-00 ICAC-00  
INRE-00 STRE-00 XMB-02 /153 W

-----105336 080058Z /62

O R 071445Z JUN 78 ZFF 4  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC NIACT IMMEDIATE 6895  
INFO ALL EC CAPITALS  
AMEMBASSY ALGIERS  
AMEMBASSY BERN  
AMEMBASSY BRASILIA  
AMEMBASSY BUENOS AIRES  
AMEMBASSY CAIRO  
AMEMBASSY CANBERRA  
AMEMBASSY HELSINKI  
AMEMBASSY ISLAMABAD  
AMEMBASSY LISBON  
AMEMBASSY MADRID  
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C O R R E C T E D C O P Y (PARA 7 AND 8 MIS-NUMBERED)

NOTING THAT CREDIBLE ADDITIONAL MEASURES BY ALL MEMBERS  
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MUST ALSO BE TAKEN. CANADA STATED THAT VARYING MARKET  
IMPACT AMONG COUNTRIES IMPLIED DIFFERING RESPONSIBILITIES  
FOR ADDITIONAL MEASURES. U.S. COMMENTED ON THE RANGE OF  
ADDITIONAL MEASURES THAT COULD BE TAKEN STRESSING THE  
NEED FOR EQUIVALENCY IN ACTIONS SO AS TO ACHIEVE EQUIT-  
ABLE BURDEN SHARING.

5. USSR SHIFTED DISCUSSION TO STRUCTURE OF INDICATOR  
SCALE, SUGGESTING THE FOUR ACTION POINTS WOULD BE PREFER-  
ABLE. JAPAN AND OTHERS MADE APPEAL FOR SIMPLICITY, SUP-  
PORTING A SIMILAR APPROACH. CANADA SUGGESTED THAT SECOND  
OR THIRD TRIGGER POINTS MIGHT BE EXPRESSED IN TERMS OF  
TIME RATHER THAN PRICE. EC AGREED THE INDICATOR SCALE  
COULD BE SIMPLIFIED. EC SUGGESTED THERE BE A WIDE FREE  
ZONE AT CENTER WITH CONSULTATIONS AT FIRST TRIGGER  
POINTS, STOCKING ACTION AT SECOND TRIGGER POINTS, AND  
CONSULTATIONS ON MEASURES TO KEEP PRICES FROM GOING PAST  
NOTIONAL PRICES AT THIRD TRIGGER POINTS.

6. THE CHAIRMAN SUGGESTED THAT AN INFORMAL DRAFTING  
GROUP INCLUDING U.S., EC, JAPAN AND CANADA CONVENE TO  
DRAFT PROVISIONS ON THIS MATTER. SINCE EC WAS RELUCTANT  
TO BEGIN DRAFTING, FINAL DECISION ON CHAIRMAN'S SUGGEST-  
ION WAS DELAYED.

7. COARSE GRAINS. EC MADE APPEAL FOR COARSE GRAINS  
ARRANGEMENT WITH SIMILAR PROVISIONS AS THOSE BEING CON-  
SIDERED FOR WHEAT, ARGUING THAT QUOTE AGREEMENT ON  
COARSE GRAINS IS SINE QUA NON TO ASSURE SUCCESSFUL  
OPERATION OF IWA UNQUOTE DUE TO LINKAGE BETWEEN WHEAT AND  
COARSE GRAINS. U.S. STATED THAT ITS POSITION TOWARD  
NEGOTIATION OF ARRANGEMENT ON COARSE GRAINS REMAINS CON-  
STRUCTIVE AND THAT IT SUPPORTS THE FURTHER CONVERGENCE  
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OF VIEWS ON THIS MATTER. IF A SUCCESSFUL AGREEMENT IS  
TO EMERGE, IT MUST CONTAIN A SATISFACTORY BALANCE OF

BENEFITS AND OBLIGATIONS AMONG PARTICIPATING COUNTRIES AND IT MUST HAVE A WIDE MEASURE OF SUPPORT AMONG GRAIN TRADING NATIONS. U.S. DID NOT INTERVENE FURTHER, THOUGH EC PRESSED FOR MORE DETAILS ON U.S. POSITION.

8. JAPAN, ARGENTINA, AUSTRALIA, BRAZIL AND CANADA INDICATED A WILLINGNESS TO CONSIDER ONLY A CONSULTATIVE TYPE OF COARSE GRAINS ARRANGEMENT. JAPAN SAID THEIR CONTRIBUTION ON COARSE GRAINS WOULD BE THEIR PRESENCE SINCE THERE WAS LITTLE JAPAN COULD DO BY WAY OF ACTION. GIVEN THIS PREVAILING VIEW, THE CHAIRMAN SUGGESTED THAT THE ARGENTINE PROPOSAL SERVE AS THE BASIS FOR NEGOTIATIONS ON COARSE GRAINS. EC EXPRESSED DISAPPOINTMENT IN VIEW OF OTHERS, BUT DID NOT CONCEDE ON ARGENTINE-TYPE CONSULTATION APPROACH. IN SUBSEQUENT DISCUSSION PIZUTTI SAID SOME NOTIONAL PRICE ASPECT WAS NECESSARY FOR COMMUNITY, THOUGH LOOSER THAN ON WHEAT.

BREWSTER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GRAINS, NEGOTIATIONS, COMMITTEES, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978LONDON08963  
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**Document Unique ID:** 00  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780237-1217  
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**Litigation History:**  
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**Message ID:** b53c5e90-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
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**Review Event:**  
**Review Exemptions:** n/a  
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**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2457081  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GRAIN NEGOTIATIONS: INTERIM COMMITTEE  
**TAGS:** EAGR, ETRD, OCON, UK  
**To:** STATE USEEC  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/b53c5e90-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
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